

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name RIGA TOWNSHIP	County LENAWEE
Audit Date MARCH 31, 2005	Opinion Date APRIL 21, 2005	Date Accountant Report Submitted to State: JUNE 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

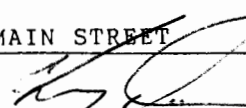
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005
WITH
INDEPENDENT AUDITORS' REPORT**

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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**RIGA TOWNSHIP
LENAAWEE COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2005

As management of Riga Township, Lenawee County, Michigan, we offer readers of Riga Township, Lenawee County, Michigan's financial statements this narrative overview and analysis of the financial activities of Riga Township, Lenawee County, Michigan for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Riga Township, Lenawee County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$3,144,528 (*net assets*). Of this amount, \$261,716 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased \$59,831. This decrease is attributable to depreciation expense of \$165,729.
- As of the close of the current year, Riga Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$463,477, a decrease of \$(47,861) in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the general fund was \$261,228 or 122 percent of total general fund expenditures.
- Riga Township, Lenawee County, Michigan's total debt was \$1,642,000 at March 31, 2005. The debt was reduced by \$60,000 during fiscal year 2004-05.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Riga Township, Lenawee County, Michigan's basic financial statements. Riga Township, Lenawee County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Riga Township, Lenawee County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Riga Township, Lenawee County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Riga Township, Lenawee County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Riga Township, Lenawee County, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Riga Township, Lenawee County, Michigan include general government, fire operating, road improvement, liquor law enforcement, and building department funds. The business-type activities of Riga Township, Lenawee County, Michigan include the water and sewer systems.

The government-wide financial statements can be found on pages 5 – 6 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that been segregated for specific activities or objectives. Riga Township, Lenawee County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Riga Township, Lenawee County, Michigan can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Riga Township, Lenawee County, Michigan maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire operating, and road improvement, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in the report.

Riga Township, Lenawee County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all major governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 7 – 12 of this report.

Proprietary Fund. Riga Township, Lenawee County, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Riga Township, Lenawee County, Michigan uses an Enterprise Fund to account for its Water and Sewer Funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of Riga Township, Lenawee County, Michigan.

The basic Proprietary Fund financial statements can be found on pages 13 – 16 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic Fiduciary Fund financial statement can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 28 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining statements and an individual fund schedule can be found on pages 29 – 31 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Riga Township, Lenawee County, Michigan, assets exceeded liabilities by \$3,144,528 at the close of the most recent fiscal year.

By far the largest portion of Riga Township, Lenawee County, Michigan's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. Riga Township, Lenawee County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Riga Township, Lenawee County, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Riga Township, Lenawee County, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 472,451	\$ 109,133	\$ 581,584
Capital assets	<u>847,895</u>	<u>3,383,640</u>	<u>4,231,535</u>
Total assets	<u>\$ 1,320,346</u>	<u>\$ 3,492,773</u>	<u>\$ 4,813,119</u>
Long term liabilities outstanding	\$	\$ 1,620,000	\$ 1,620,000
Other liabilities	<u>8,974</u>	<u>39,617</u>	<u>48,591</u>
Total liabilities	<u>\$ 8,974</u>	<u>\$ 1,659,617</u>	<u>\$ 1,668,591</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 847,895	\$ 1,741,640	\$ 2,589,535
Restricted	202,249	91,028	293,277
Unrestricted	<u>261,228</u>	<u>488</u>	<u>261,716</u>
Total net assets	<u>\$ 1,311,372</u>	<u>\$ 1,833,156</u>	<u>\$ 3,144,528</u>

A portion of Riga Township, Lenawee County, Michigan's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$261,716) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Riga Township, Lenawee County, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, Riga Township, Lenawee County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Riga Township, Lenawee County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Riga Township, Lenawee County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Riga Township, Lenawee County, Michigan's governmental funds reported combined ending fund balances of \$463,477, a decrease of (\$47,861) in comparison with the prior year. Special Revenue Funds have \$202,249 available for their special uses.

The general fund is the chief operating fund of Riga Township, Lenawee County, Michigan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$261,228.

The fund balance of Riga Township, Lenawee County, Michigan's general fund decreased by (\$68,554) during the current fiscal year. A key factor in this decrease was general fund transfers to the Water Fund (\$8,000); to the Sewer Fund (\$14,000); to Road Improvement (\$11,000); and Liquor Law Enforcement (\$1,016).

Proprietary Fund - Riga Township, Lenawee County, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds at the end of the year amounted to \$488.

General Fund Budgetary Highlights

The differences in the original budget and final amended budget for the Riga Township General Fund may be described as follows:

The Administration budget was increased by \$30,000 due to some unexpected expenses in the area of attorney fees and elections. These were the result of an application from Great Lakes Ethanol to rezone land in our Township. This required not only changing the zoning, but also revising the Master Plan. In addition, a special referendum election was held as a result of a petition drive by citizens in our Township.

The Cemetery budget was increased from \$26,000 to \$30,000 because of some large maintenance expenses. We hired a contractor to do extensive brush removal from the fence to prepare it for painting.

The Park budget was decreased from \$9,500 to \$5,500 because the expenses in this area were not as high as expected.

The Bulk Water budget was increased from \$16,000 to \$17,000 because of higher than anticipated usage of the water.

Miscellaneous expenses were decreased from \$59,500 to \$58,500 to make allowances in areas where the money was needed.

Transfer to Road Improvement Fund was decreased from \$50,000 to \$20,000 to cover actual expenses in the Road Improvement Fund. The excess was transferred to Administration where the need existed.

The final budget called for a change in Fund Balance of \$121,000 but actual expenditures only decreased the Fund Balance by \$68,554.

Capital Asset and Debt Administration

Capital assets. Riga Township, Lenawee County, Michigan's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounts to \$4,231,535 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, and fire vehicles and equipment. The total increase in Riga Township, Lenawee County, Michigan's investment in capital assets for the current fiscal year was \$10,515.

Major capital purchases during the current fiscal year were a lawn tractor (\$6,780) and an alarm system (\$3,735).

Riga Township, Lenawee County, Michigan's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 19,915	\$	\$ 19,915
Land improvements	283,202		283,202
Buildings	136,024		136,024
Machinery and equipment	22,540		22,540
Fire vehicles and equipment	386,214		386,214
Water and sewer systems		<u>3,383,640</u>	<u>3,383,640</u>
Total	<u>\$ 847,895</u>	<u>\$ 3,383,640</u>	<u>\$ 4,231,535</u>

Additional information on Riga Township's capital assets can be found in Note 4 on pages 25 and 26.

Long-term debt. At the end of the current fiscal year, Riga Township, Lenawee County, Michigan had total bonded debt outstanding of \$1,642,000. The debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Riga Township, Lenawee County, Michigan's Outstanding Debt Revenue Bonds

	Business-type Activities
Revenue Bonds	<u>\$ 1,642,000</u>

Additional information on Riga Township, Lenawee County, Michigan's long-term debt can be found in Note 6, on pages 27 – 28 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2005-2006 budgets that were adopted for Riga Township are very conservative. We expect little increase, if any, in revenue. The State Revenue Sharing will not increase as it has been projected by the State. Interest income may increase slightly, but that is a small portion of our budget.

We have included a \$60,000 budget to repair leaking water and sewer lines. Hopefully, this expense will eventually be borne by the original contractor's insurance. We do not expect to do any other large projects this year in order to make it possible for us to get the water system repaired.

There will be no anticipated elections this year. The only fees that will be increased this year are those for grave digging. Since these fees are used for employee compensation, they will not have any effect upon the final Fund Balance of the General Fund.

It is expected that the Fund Balance for the Fire Department Operating Fund will decrease during this fiscal year. Due to our Risk Management Plan, we will be providing physicals for the entire department. This is expected to be a costly proposition. The fees for ambulance runs have been increased, but our share of these fees will be decreasing. Madison Township will be receiving 35% of all BLS runs to help cover their expenses in operating the ALS unit that responds to our calls where needed.

The Road Improvement Fund budget basically uses the funds that have been voted for this purpose. We complete as many projects as possible with the funds available. We have a need for many more projects, but we will be limited by our revenue.

The budgets for Water and Sewer reflect current rates and usage. Any changes in rates will only reflect any changes in the rates that are charged by the Village of Blissfield. If we can operate under a better water recovery rate, we will be able to pay our expenses without borrowing from the General Fund.

The Building Department Fund could see increased activity due to the expected construction of the Great Lakes Ethanol Plant. We do not know what these fees will be, so the budget does not include a large amount for them. In other building activity, we expect to maintain a steady amount of activity.

The budget for the Liquor Law Enforcement will remain identical to that of the past year. We expect no change in either revenues or expenses.

Requests for Information

This financial report is designed to provide a general overview of Riga Township, Lenawee County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Riga Township, Box 25, Riga, Michigan 49276.

April 21, 2005

INDEPENDENT AUDITORS' REPORT

Riga Township
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riga Township, Lenawee County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Riga Township, Lenawee County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riga Township, Lenawee County, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of March 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2005 on our consideration of Riga Township, Lenawee County, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

April 21, 2005

Riga Township
Lenawee County, Michigan

The management's discussion and analysis on pages i through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riga Township, Lenawee County, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements and schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

April 21, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Riga Township
Lenawee County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riga Township, Lenawee County Michigan, as of and for the year ended March 31, 2005, which collectively comprise Riga Township, Lenawee County Michigan's basic financial statements and have issued our report thereon dated April 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Riga Township, Lenawee County Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

April 21, 2005

Riga Township
Lenawee County, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Riga Township, Lenawee County Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Riga Township, Lenawee County, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2005

PRIMARY GOVERNMENT			
<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 447,120	\$ 26,275	\$ 473,395
Taxes receivable	6,222		6,222
Accounts receivable	583	10,356	10,939
Internal balances	<u>18,526</u>	<u>(18,526)</u>	<u></u>
Total current assets	<u>472,451</u>	<u>18,105</u>	<u>490,556</u>
Noncurrent assets:			
Cash – bond and interest redemption		33,028	33,028
Cash – bond reserve		58,000	58,000
Capital assets:			
Land	19,915		19,915
Land improvements	358,891		358,891
Buildings and improvements	222,554		222,554
Machinery and equipment	82,381		82,381
Fire vehicles and equipment	666,715		666,715
Water system		1,346,107	1,346,107
Equipment		10,000	10,000
Sewer system		2,008,873	2,008,873
Pump stations		192,800	192,800
Accumulated depreciation	<u>(502,561)</u>	<u>(174,140)</u>	<u>(676,701)</u>
Total noncurrent assets	<u>847,895</u>	<u>3,474,668</u>	<u>4,322,563</u>
Total assets	<u>\$ 1,320,346</u>	<u>\$ 3,492,773</u>	<u>\$ 4,813,119</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 7,454	\$	\$ 7,454
Payroll liabilities	1,520		1,520
Interest payable		17,617	17,617
Current portion of bonds payable	<u></u>	<u>22,000</u>	<u>22,000</u>
Total current liabilities	8,974	39,617	48,591
Noncurrent liabilities:			
Noncurrent portion of bonds payable	<u></u>	<u>1,620,000</u>	<u>1,620,000</u>
Total liabilities	<u>8,974</u>	<u>1,659,617</u>	<u>1,668,591</u>
NET ASSETS:			
Invested in capital assets, net of related debt	847,895	1,741,640	2,589,535
Restricted for:			
Fire operations	89,202		89,202
Road maintenance	109,890		109,890
Building Department	3,157		3,157
Debt service		91,028	91,028
Unrestricted	<u>261,228</u>	<u>488</u>	<u>261,716</u>
Total net assets	<u>\$ 1,311,372</u>	<u>\$ 1,833,156</u>	<u>\$ 3,144,528</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES**

For the Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
			<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>
Governmental activities:					
General government	\$ 179,509	\$ 39,294	\$ (140,215)	\$	\$ (140,215)
Public safety	113,763	30,405	(83,358)		(83,358)
Highways and streets	115,812		(115,812)		(115,812)
Parks and recreation	3,692		(3,692)		(3,692)
Other	49,468		(49,468)		(49,468)
Total governmental activities	462,244	69,699	(392,545)	-	(392,545)
Business-Type activities:					
Water	121,098	69,089		(52,009)	(52,009)
Sewer	146,561	59,904		(86,657)	(86,657)
Total business-type activities	267,659	128,993	-	(138,666)	(138,666)
Total government	\$ 729,903	\$ 198,692	(392,545)	(138,666)	(531,211)
General Revenues:					
Property taxes			203,593		203,593
State revenues			99,023		99,023
Investment earnings			5,889	1,706	7,595
Other			14,028	147,141	161,169
Transfers			(22,000)	22,000	
Total general revenues and transfers			300,533	170,847	471,380
Change in net assets			(92,012)	32,181	(59,831)
Net assets – beginning of year			1,403,384	1,800,975	3,204,359
Net assets – end of year			\$ 1,311,372	\$ 1,833,156	\$ 3,144,528

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

BALANCE SHEET

GOVERNMENTAL FUNDS

March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Fire Operating</u>	<u>Road Improvement</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 251,311	\$ 87,849	\$ 107,960	\$	\$ 447,120
Taxes receivable	1,175	1,682	3,365		6,222
Accounts receivable	583				583
Due from other funds	<u>40,526</u>	<u> </u>	<u> </u>	<u>3,307</u>	<u>43,833</u>
Total assets	<u>\$ 293,595</u>	<u>\$ 89,531</u>	<u>\$ 111,325</u>	<u>\$ 3,307</u>	<u>\$ 497,758</u>
 <u>Liabilities</u>					
Accounts payable	\$ 5,540	\$ 329	\$ 1,435	\$ 150	\$ 7,454
Payroll liabilities	1,520				1,520
Due to other funds	<u>25,307</u>	<u> </u>	<u> </u>	<u> </u>	<u>25,307</u>
Total liabilities	<u>32,367</u>	<u>329</u>	<u>1,435</u>	<u>150</u>	<u>34,281</u>
Fund Balances:					
Unreserved, reported in:					
General Fund	261,228				261,228
Special Revenue Funds	<u> </u>	<u>89,202</u>	<u>109,890</u>	<u>3,157</u>	<u>202,249</u>
Total fund balances	<u>261,228</u>	<u>89,202</u>	<u>109,890</u>	<u>3,157</u>	<u>463,477</u>
Total liabilities and fund balances	<u>\$ 293,595</u>	<u>\$ 89,531</u>	<u>\$ 111,325</u>	<u>\$ 3,307</u>	<u>\$ 497,758</u>
Total governmental fund balances					\$ 463,477
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					
The cost of the capital asset is					1,350,456
The accumulated depreciation is					<u>(502,561)</u>
Net assets of governmental activities					<u>\$ 1,311,372</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

For the Year Ended March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Road Improvement</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 38,446	\$ 55,049	\$ 110,098	\$	\$ 203,593
State shared revenues	99,023				99,023
Charges for services:					
Cemetery	4,055				4,055
Ambulance and fire		30,405			30,405
Permit fees	6,475			11,570	18,045
Bulk water	17,194				17,194
Interest	4,521	929	439		5,889
Miscellaneous	<u>9,377</u>	<u> </u>	<u>3,867</u>	<u>784</u>	<u>14,028</u>
Total revenues	<u>179,091</u>	<u>86,383</u>	<u>114,404</u>	<u>12,354</u>	<u>392,232</u>
Expenditures:					
General government:					
Administration	114,011				114,011
Building and grounds	15,295				15,295
Inspections				10,126	10,126
Cemetery	21,591				21,591
Capital outlay	10,515				10,515
Public safety:					
Liquor law enforcement				1,800	1,800
Fire protection		76,726			76,726
Public works:					
Highways and streets			115,812		115,812
Parks and recreation:					
Park	2,749				2,749
Other:					
Bulk water	17,924				17,924
Water and sewer expense	6,435				6,435
Miscellaneous	<u>25,109</u>	<u> </u>	<u> </u>	<u> </u>	<u>25,109</u>
Total expenditures	<u>213,629</u>	<u>76,726</u>	<u>115,812</u>	<u>11,926</u>	<u>418,093</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,538)</u>	<u>9,657</u>	<u>(1,408)</u>	<u>428</u>	<u>(25,861)</u>
Other financing sources (uses):					
Transfers in			11,000	1,016	12,016
Transfers out	<u>(34,016)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(34,016)</u>
Total other financing sources (uses)	<u>(34,016)</u>	<u>-</u>	<u>11,000</u>	<u>1,016</u>	<u>(22,000)</u>
Net change in fund balances	(68,554)	9,657	9,592	1,444	(47,861)
Fund balances – beginning of year	<u>329,782</u>	<u>79,545</u>	<u>100,298</u>	<u>1,713</u>	<u>511,338</u>
Fund balances – end of year	<u>\$ 261,228</u>	<u>\$ 89,202</u>	<u>\$ 109,890</u>	<u>\$ 3,157</u>	<u>\$ 463,477</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

March 31, 2005

Net change in fund balances – total governmental funds	\$ (47,861)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(54,666)
Capital outlay	<u>10,515</u>
Change in net assets in governmental activities	<u>\$ (92,012)</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 54,000	\$ 54,000	\$ 38,446	\$ (15,554)
State share revenues	100,000	100,000	99,023	(977)
Charges for services:				
Cemetery	5,000	5,000	4,055	(945)
Permit fees	5,000	5,000	6,475	1,475
Bulk water	16,000	16,000	17,194	1,194
Interest	3,000	3,000	4,521	1,521
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>9,377</u>	<u>(623)</u>
Total revenues	<u>193,000</u>	<u>193,000</u>	<u>179,091</u>	<u>(13,909)</u>
Expenditures:				
General Government				
Administration	100,000	130,000	114,011	15,989
Building and grounds	23,000	23,000	19,031	3,969
Cemetery	26,000	30,000	28,370	1,630
Parks and recreation:				
Park	9,500	5,500	2,749	2,751
Other:				
Bulk water	16,000	17,000	17,924	(924)
Water and sewer expense	10,000	10,000	6,435	3,565
Miscellaneous	<u>59,500</u>	<u>58,500</u>	<u>25,109</u>	<u>33,391</u>
Total expenditures	<u>244,000</u>	<u>274,000</u>	<u>213,629</u>	<u>60,371</u>
Excess (deficiency) of revenues over (under) expenditures	(51,000)	(101,000)	(34,538)	66,462
Other financing uses:				
Transfers out	<u>(50,000)</u>	<u>(20,000)</u>	<u>(34,016)</u>	<u>(14,016)</u>
Net change in fund balance	(101,000)	(121,000)	(68,554)	52,446
Fund balance – beginning of year			<u>329,782</u>	
Fund balance – end of year			<u>\$ 261,228</u>	

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

FIRE OPERATING FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 54,000	\$ 54,000	\$ 55,049	\$ 1,049
Charges for services:				
Ambulance and fire	25,000	25,000	30,405	5,405
Interest	<u>500</u>	<u>500</u>	<u>929</u>	<u>429</u>
Total revenues	<u>79,500</u>	<u>79,500</u>	<u>86,383</u>	<u>6,883</u>
Expenditures:				
Public safety:				
Fire protection	95,000	95,000	76,726	18,274
Other:				
Miscellaneous	<u>10,000</u>	<u>10,000</u>		<u>10,000</u>
Total expenditures	<u>105,000</u>	<u>105,000</u>	<u>76,726</u>	<u>28,274</u>
Excess (deficiency) of revenues over (under) expenditures	(25,500)	(25,500)	9,657	35,157
Fund balance – beginning of year			<u>79,545</u>	
Fund balance – end of year			<u>\$ 89,202</u>	

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

ROAD IMPROVEMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive (Negative)</u>
Revenues:				
Property taxes	\$ 108,000	\$ 108,000	\$ 110,098	\$ 2,098
Interest	500	500	439	(61)
Miscellaneous	<u> </u>	<u> </u>	<u>3,867</u>	<u>3,867</u>
Total revenues	<u>108,500</u>	<u>108,500</u>	<u>114,404</u>	<u>5,904</u>
Expenditures:				
Public works:				
Highways and streets	140,000	140,000	115,812	24,188
Other:				
Miscellaneous	<u>14,100</u>	<u>14,100</u>	<u> </u>	<u>14,100</u>
Total expenditures	<u>154,100</u>	<u>154,100</u>	<u>115,812</u>	<u>38,288</u>
Deficiency of revenues under expenditures	(45,600)	(45,600)	(1,408)	44,192
Other financing sources:				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>11,000</u>	<u>(39,000)</u>
Net change in fund balance	4,400	4,400	9,592	5,192
Fund balance – beginning of year			<u>100,298</u>	
Fund balance – end of year			<u>\$ 109,890</u>	

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

March 31, 2005

<u>Assets</u>	<u>Business-Type Activities – Enterprise Funds</u>		<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Proprietary Funds</u>
Current assets:			
Cash	\$ 10,178	\$ 16,097	\$ 26,275
Accounts receivable	4,794	5,562	10,356
Due from other funds	<u>12,550</u>	<u>14,000</u>	<u>26,550</u>
Total current assets	<u>27,522</u>	<u>35,659</u>	<u>63,181</u>
Restricted assets:			
Cash – bond and interest redemption	11,802	21,226	33,028
Cash – bond reserve	<u>22,000</u>	<u>36,000</u>	<u>58,000</u>
Total restricted assets	<u>33,802</u>	<u>57,226</u>	<u>91,028</u>
Capital assets:			
Water system	1,346,107		1,346,107
Equipment	10,000		10,000
Sewer system		2,008,873	2,008,873
Pump stations		192,800	192,800
Accumulated depreciation	<u>(62,064)</u>	<u>(112,076)</u>	<u>(174,140)</u>
Total capital assets	<u>1,294,043</u>	<u>2,089,597</u>	<u>3,383,640</u>
Total assets	<u>\$ 1,355,367</u>	<u>\$ 2,182,482</u>	<u>\$ 3,537,849</u>
<u>Liabilities And Net Assets</u>			
Current liabilities:			
Interest payable	\$ 7,761	\$ 9,856	\$ 17,617
Due to other funds	19,694	25,382	45,076
Current portion of bonds payable	<u>8,000</u>	<u>14,000</u>	<u>22,000</u>
Total current liabilities	35,455	49,238	84,693
Long-term liabilities:			
Noncurrent portion of bonds payable	<u>590,000</u>	<u>1,030,000</u>	<u>1,620,000</u>
Total liabilities	<u>625,455</u>	<u>1,079,238</u>	<u>1,704,693</u>
Net assets:			
Capital assets net of related debt	696,043	1,045,597	1,741,640
Restricted for:			
Debt service	33,802	57,226	91,028
Unrestricted	<u>67</u>	<u>421</u>	<u>488</u>
Total net assets	<u>\$ 729,912</u>	<u>\$ 1,103,244</u>	<u>\$ 1,833,156</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAAWEE COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended March 31, 2005

	Business-Type Activities – Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals Proprietary Funds</u>
Operating revenues:			
Water usage	\$ 69,089	\$	\$ 69,089
Sewer usage fee	<u> </u>	<u>59,904</u>	<u>59,904</u>
Total operating revenues	<u>69,089</u>	<u>59,904</u>	<u>128,993</u>
Operating expenses:			
Labor – Drain Commission	8,891	6,326	15,217
Administrative fee	3,442	3,000	6,442
Water treatment and testing	1,574	130	1,704
Materials and supplies	25	307	332
Legal and accounting	1,025		1,025
Equipment maintenance	3,303	3,113	6,416
Utilities	25	1,342	1,367
Insurance	272	272	544
Miscellaneous	649	148	797
Depreciation	13,794	24,909	38,703
Usage charges	57,129	53,934	111,063
Communications	167	1,647	1,814
Travel	<u>1,287</u>	<u>727</u>	<u>2,014</u>
Total operating expenses	<u>91,583</u>	<u>95,855</u>	<u>187,438</u>
Operating loss	(22,494)	(35,951)	(58,445)
Nonoperating revenues (expenses):			
Interest income	655	1,051	1,706
Hook-up fees	36,035	49,504	85,539
Debt revenue	24,080	37,522	61,602
Interest expense	<u>(29,515)</u>	<u>(50,706)</u>	<u>(80,221)</u>
Net income	8,761	1,420	10,181
Transfers in	<u>8,000</u>	<u>14,000</u>	<u>22,000</u>
Net income after transfers	16,761	15,420	32,181
Adjustment to retained earnings	(7,761)	(9,856)	(17,617)
Net assets – beginning of year	<u>720,912</u>	<u>1,097,680</u>	<u>1,818,592</u>
Net assets – end of year	<u>\$ 729,912</u>	<u>\$ 1,103,244</u>	<u>\$ 1,833,156</u>

The notes to the financial statements are an integral part of this schedule.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended March 31, 2005

INCREASE IN CASH AND CASH EQUIVALENTS

	Business-Type Activities – <u>Enterprise Funds</u>		Totals
	<u>Water</u>	<u>Sewer</u>	<u>Proprietary Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 67,221	\$ 58,936	\$ 126,157
Cash paid to suppliers and employees	<u>(68,089)</u>	<u>(59,646)</u>	<u>(127,735)</u>
Net cash used in operating activities	<u>(868)</u>	<u>(710)</u>	<u>(1,578)</u>
Cash flows from capital and related financing activities:			
Debt revenue	24,080	37,522	61,602
Hook-up fees	36,035	49,504	85,539
Repayment of principal	(28,000)	(32,000)	(60,000)
Interest payments	<u>(29,515)</u>	<u>(50,706)</u>	<u>(80,221)</u>
Net cash provided by capital and related financing activities	<u>2,600</u>	<u>4,320</u>	<u>6,920</u>
Cash flows from investing activities:			
Interest income	<u>655</u>	<u>1,051</u>	<u>1,706</u>
Net cash provided by investing activities	<u>655</u>	<u>1,051</u>	<u>1,706</u>
Net increase in cash and cash equivalents	2,387	4,661	7,048
Cash and cash equivalents – beginning of year	<u>41,593</u>	<u>68,662</u>	<u>110,255</u>
Cash and cash equivalents – end of year	<u>\$ 43,980</u>	<u>\$ 73,323</u>	<u>\$ 117,303</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended March 31, 2005

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

	Business-Type Activities – <u>Enterprise Funds</u>		Totals
	<u>Water</u>	<u>Sewer</u>	<u>Proprietary Funds</u>
Net operating loss	\$ (22,494)	\$ (35,951)	\$ (58,445)
Adjustments to reconcile net operating loss to net cash used in operating activities:			
Depreciation expense	13,794	24,909	38,703
(Increase) decrease in:			
Accounts receivable	(618)	(968)	(1,586)
Due from other Enterprise Funds	(1,250)		(1,250)
Increase (decrease) in:			
Accounts payable and other liabilities		(250)	(250)
Interfund payable	9,700	10,300	20,000
Due to other Enterprise Funds	<u> </u>	<u>1,250</u>	<u>1,250</u>
Net cash used in operating activities	<u>\$ (868)</u>	<u>\$ (710)</u>	<u>\$ (1,578)</u>

The notes to the financial statements are an integral part of this statement.

RIGA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2005

<u>Assets</u>	<u>Agency Fund</u>
Cash and cash equivalents	\$ 583
Total assets	<u>\$ 583</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 583
Total liabilities	<u>\$ 583</u>

The notes to the financial statements are an integral part of this schedule.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Riga Township, Lenawee County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective March 31, 2004, Riga Township, Lenawee County, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Township’s activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Riga Township has elected to implement the general provisions of the statement.

A. Reporting Entity

The Township of Riga is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Riga Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and a fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Fire Operating Fund* accounts for financial resources of the Township's Fire Department.

The *Road Improvement Fund* accounts for the maintenance of the roads within the limits of the Township.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Township's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Township's sewer system.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the government reports the following fund types:

The *Special Revenue Funds* (Liquor Law Enforcement and Building Department) are used to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for particular purposes.

The *Fiduciary Fund (Tax Collection Fund)* is a trust and agency fund used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of the following subsequent private-sector guidance for their business-type activities (water and sewer funds), subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds relate to charges to customers for sales and services. Operating expenses for this fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Township had no advances between funds at March 31, 2005.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

Properties are assessed as of December 31 and the tax levies are July 1 and December 1 of the following year. The tax levies of July 1 and December 1, 2004 are revenues in the Township's fiscal year ended March 31, 2005.

The Township had a general tax millage of .6984 for 2004. The Township's maximum allowable millage is 1.0 mills.

A lien on the property occurs when the taxes are levied. The taxes levied July 1 are payable by August 31 without penalty. The taxes levied December 1 are payable by February 14 without penalty.

Since the County through revolving funds obtains the delinquent real property taxes for the Township, the sixty (60) day rule does not apply to such delinquent taxes receivable.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the water and sewer fund revenue bonds and general obligations bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond interest and redemption account is used to segregate resources accumulated for debt service payments. The bond reserve account is used to report resources set aside to make debt service payment on bonds which would otherwise be in default.

5. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	30
Buildings	50
Machinery and equipment	10
Furniture	20
Fire vehicles	20
Fire equipment	10
Water system	100
Water equipment	30
Sewer system	100
Sewer pump stations	40

6. Long-term obligations

In the governmental-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The reserve for Building Department represents the portion of fund balance segregated for the specific use of the Building Department Fund in future years.

The government-wide statement of net assets reports \$293,277 of restricted net assets of which \$-0- is restricted by enabling legislation.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Riga Township did not incur expenditures in excess of the amount appropriated in any of their funds. One expenditure function in the General Fund budget exceeded the amount budgeted.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

NOTE 3. DEPOSITS

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2005, \$201,506 of the Township's bank balance of \$672,191 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 201,506</u>
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RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 is as follows:

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2005</u>
Governmental activities:				
Assets, not being depreciated – land	\$ 19,915	\$ -	\$ -	\$ 19,915
Land improvements	358,891			358,891
Buildings and improvements	219,307	3,247		222,554
Machinery and equipment	75,113	7,268		82,381
Fire vehicles and equipment	<u>666,715</u>			<u>666,715</u>
Total depreciable capital assets	<u>1,320,026</u>	<u>10,515</u>	<u>-</u>	<u>1,330,541</u>
Less: Accumulated depreciation for:				
Land improvements	63,799	11,890		75,689
Buildings and improvements	82,122	4,408		86,530
Machinery and equipment	56,710	3,131		59,841
Fire vehicles and equipment	<u>245,264</u>	<u>35,237</u>		<u>280,501</u>
Total accumulated depreciation	<u>447,895</u>	<u>54,666</u>	<u>-</u>	<u>502,561</u>
Net depreciable capital assets	<u>872,131</u>	<u>(44,151)</u>	<u>-</u>	<u>827,980</u>
Governmental activities net capital assets	<u>\$ 892,046</u>	<u>\$ (44,151)</u>	<u>\$ -</u>	<u>\$ 847,895</u>
	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2005</u>
Business-type activities:				
Water system	\$ 1,346,107	\$	\$	\$ 1,346,107
Equipment	10,000			10,000
Sewer system	2,008,873			2,008,873
Pump stations	<u>192,800</u>			<u>192,800</u>
Total depreciable capital assets	<u>3,557,780</u>	<u>-</u>	<u>-</u>	<u>3,557,780</u>
Less: Accumulated depreciation for:				
Water system	47,103	13,461		60,564
Water equipment	1,167	333		1,500
Sewer system	70,297	20,089		90,386
Pump stations	<u>16,870</u>	<u>4,820</u>		<u>21,690</u>
Total accumulated depreciation	<u>135,437</u>	<u>38,703</u>	<u>-</u>	<u>174,140</u>
Business-type activities net capital assets	<u>\$ 3,422,343</u>	<u>\$ (38,703)</u>	<u>\$ -</u>	<u>\$ 3,383,640</u>

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

NOTE 4. CAPITAL ASSETS (Continued)

Depreciation expense charged to functions is as follows:

Governmental activities:	
General government	\$ 18,486
Public safety	35,237
Park and recreation	<u>943</u>
Total depreciation expense - governmental activities	<u>\$ 54,666</u>
 Business-type activities:	
Water Fund	\$ 13,794
Sewer Fund	<u>24,909</u>
Total depreciation expense - business-type activities	<u>\$ 38,703</u>

NOTE 5. INTERFUND BALANCES AND TRANSFERS

Interfund balances – Due to/from other funds

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances at March 31, 2005 are expected to be repaid within the next fiscal year.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 40,526	Water	\$ 19,694
Road improvement	-	Sewer	25,382
Nonmajor	3,307	General	25,307
Water	12,550	Road improvement	-
Sewer	<u>14,000</u>	Nonmajor	<u>-</u>
	<u>\$ 70,383</u>		<u>\$ 70,383</u>

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

NOTE 5. INTERFUND BALANCES AND TRANSFERS (Continued)

Interfund transfers:

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from the funds collecting the receipts to the Debt Service Fund as debt service payments become due and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

A schedule of interfund transfers follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 34,016
Road improvement	11,000	-
Nonmajor	1,016	-
Water	8,000	-
Sewer	<u>14,000</u>	<u>-</u>
	<u>\$ 34,016</u>	<u>\$ 34,016</u>

NOTE 6. REVENUE BONDS

Business-type activities

At March 31, 2005, the Bond and Interest Redemption Account had a balance of \$11,802 and the Bond Revenue Account had a balance of \$22,000. As of March 31, 2005, the Township had an outstanding bond payable of \$598,000, which is recorded as a liability in the Water Fund.

At March 31, 2005, the Bond and Interest Redemption Account had a balance of \$14,916 and the Bond Reserve Account had a balance of \$25,000. As of March 31, 2005, the Township had an outstanding bond payable of \$687,000, which is recorded as a liability in the Sewer Fund.

At March 31, 2005, the Bond and Interest Redemption Account had a balance of \$6,310 and the Bond Reserve Account had a balance of \$11,000. As of March 31, 2005, the Township had an outstanding bond payable of \$357,000, which is recorded as a liability in the Sewer Fund.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

NOTE 6. REVENUE BONDS (Continued)

The schedule of long term liability activity is as follows:

	<u>Water Fund Revenue Bond Series 1999 A</u>	<u>Sewer Fund Revenue Bond Series 1999 A</u>	<u>Sewer Fund Revenue Bond Series 1999 B</u>	<u>Total</u>
Balance, April 1, 2004	\$ 626,000	\$ 713,000	\$ 363,000	\$ 1,702,000
Increases	-	-	-	-
Decreases	<u>(28,000)</u>	<u>(26,000)</u>	<u>(6,000)</u>	<u>(60,000)</u>
Balance, March 31, 2005	598,000	687,000	357,000	1,642,000
Less: Current portion	<u>(8,000)</u>	<u>(10,000)</u>	<u>(4,000)</u>	<u>(22,000)</u>
Total due after one year	<u>\$ 590,000</u>	<u>\$ 677,000</u>	<u>\$ 353,000</u>	<u>\$ 1,620,000</u>

Debt service requirements at March 31, 2005 are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 22,000	\$ 87,614	\$ 109,614
2007	24,000	86,593	110,593
2008	24,000	85,501	109,501
2009	26,000	84,362	110,362
2010	26,000	83,174	109,174
2011 – 2015	157,000	395,843	552,843
2016 – 2020	198,000	355,898	553,898
2021 – 2025	247,000	305,648	552,648
2026 – 2030	316,000	242,254	558,254
2031 – 2035	399,000	161,384	560,384
2036 – 2040	<u>203,000</u>	<u>59,473</u>	<u>262,473</u>
	<u>\$ 1,642,000</u>	<u>\$ 1,947,744</u>	<u>\$ 3,589,744</u>

RIGA TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>Liquor Law Enforcement</u>	<u>Building Department</u>	<u>Totals</u>
Due from other funds	\$ 150	\$ 3,157	\$ 3,307
Total assets	<u>\$ 150</u>	<u>\$ 3,157</u>	<u>\$ 3,307</u>
 <u>Liabilities And Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 150	\$	\$ 150
Total liabilities	<u>150</u>	<u>-</u>	<u>150</u>
FUND BALANCES:			
Unreserved	<u> </u>	<u>3,157</u>	<u>3,157</u>
Total fund balances	<u>-</u>	<u>3,157</u>	<u>3,157</u>
Total liabilities and fund balance	<u>\$ 150</u>	<u>\$ 3,157</u>	<u>\$ 3,307</u>

The notes to the financial statements are an integral part of this statement.

RIGA TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended March 31, 2005

	<u>Liquor Law Enforcement</u>	<u>Building Department</u>	<u>Totals</u>
Revenues:			
Charges for services	\$	\$ 11,570	\$ 11,570
Miscellaneous	<u>784</u>	<u></u>	<u>784</u>
Total revenues	<u>784</u>	<u>11,570</u>	<u>12,354</u>
Expenditures:			
Liquor law enforcement	1,800		1,800
Building Department	<u></u>	<u>10,126</u>	<u>10,126</u>
Total expenditures	<u>1,800</u>	<u>10,126</u>	<u>11,926</u>
Excess (deficiency) of revenues over (under) expenditures	(1,016)	1,444	428
Other financing sources:			
Transfers in	<u>1,016</u>	<u>-</u>	<u>1,016</u>
Net change in fund balances	-	1,444	1,444
Fund balances – beginning of year	<u>-</u>	<u>1,713</u>	<u>1,713</u>
Fund balances – end of year	<u>\$ -</u>	<u>\$ 3,157</u>	<u>\$ 3,157</u>

The notes to the financial statements are an integral part of this statement.

**RIGA TOWNSHIP
LENAWEE COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2005

	<u>Balance</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2005</u>
<u>ASSETS</u>				
Cash in bank	\$ 2,627	\$ 1,132,368	\$ 1,134,412	\$ 583
Total assets	<u>\$ 2,627</u>	<u>\$ 1,132,368</u>	<u>\$ 1,134,412</u>	<u>\$ 583</u>
 <u>LIABILITIES</u>				
Interfund payable	\$ 870	\$ 201,621	\$ 201,908	\$ 583
Due to other taxing units	<u>1,757</u>	<u>930,747</u>	<u>932,504</u>	<u> </u>
Total liabilities	<u>\$ 2,627</u>	<u>\$ 1,132,368</u>	<u>\$ 1,134,412</u>	<u>\$ 583</u>

The notes to the financial statements are an integral part of this statement.